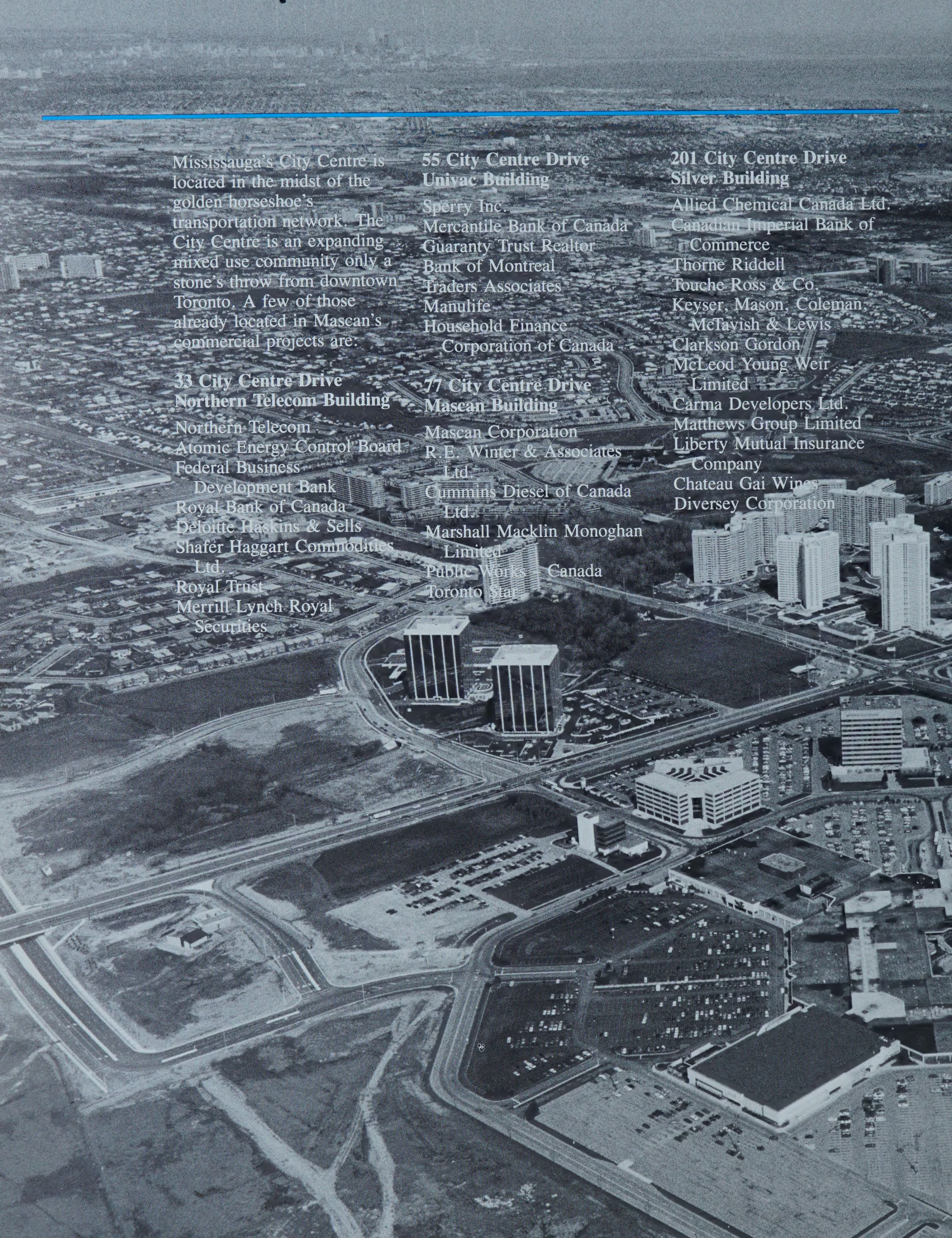
MASCAN
CORPORATION

Annual Report 1982



Mississauga's City Centre is located in the midst of the golden horseshoe's transportation network. The City Centre is an expanding mixed use community only a stone's throw from downtown Toronto. A few of those already located in Mascan's commercial projects are:

33 City Centre Drive
Northern Telecom Building

Northern Telecom
Atomic Energy Control Board
Federal Business
Development Bank
Royal Bank of Canada
Deloitte Haskins & Sells
Shafer Haggart Commodities
Ltd.
Royal Trust
Merrill Lynch Royal
Securities

55 City Centre Drive
Univac Building

Sperry Inc.
Mercantile Bank of Canada
Guaranty Trust Realtor
Bank of Montreal
Traders Associates
Manulife
Household Finance
Corporation of Canada

77 City Centre Drive
Mascan Building

Mascan Corporation
R.E. Winter & Associates
Ltd.
Cummins Diesel of Canada
Ltd.
Marshall Macklin Monoghan
Limited
Public Works — Canada
Toronto Star

201 City Centre Drive
Silver Building

Allied Chemical Canada Ltd.
Canadian Imperial Bank of
Commerce
Thorne Riddell
Touche Ross & Co.
Keyser, Mason, Coleman,
McTavish & Lewis
Clarkson Gordon
McLeod Young Weir
Limited
Carma Developers Ltd.
Matthews Group Limited
Liberty Mutual Insurance
Company
Chateau Gai Wines
Diversey Corporation

Corporate Directory

Head Office

Mascan Corporation
77 City Centre Drive
Mississauga, Ontario
L5B 1M6
(416) 270-7000

Directors

†*F.A. Enfield, Q.C., Partner,
Enfield, Hemmerick, & Wood
†*R.P. Kruger, President,
Apollo Electronics Limited
†*L.A. McLaughlin, H.B.A., LL.B.
*S.B. McLaughlin, B.A., LL.B.
*J.T. Rawson, Mortgage Broker,
Kopas & Burritt Financial
Agents Ltd.
B.L. Turner, Vice-President,
S.B. McLaughlin &
Associates, Inc.
N.J. Westeinde, M.B.A.
R.E. Winter, President,
R.E. Winter & Associates Ltd.

†Audit Committee
*Executive Committee

Officers

S.B. McLaughlin,
Chairman of the Board,
President and Chief
Executive Officer
F.W. MacDonald, Q.C.,
Senior Vice-President,
General Counsel and Secretary
L.A. McLaughlin,
Vice-President, Finance
N.J. Westeinde,
Vice-President, Operations
M.A. Millard,
Vice-President, Development
W.G. Cripps,
Treasurer
N. Furber,
Assistant Secretary

Auditors

Touche Ross & Co.

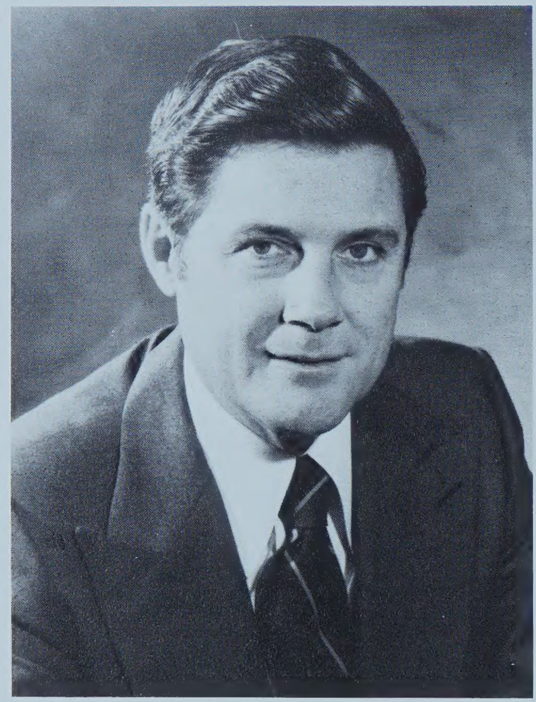
Transfer Agents and Registrars

Canada Permanent Trust Company
Montreal Trust Company
The Canada Trust Company
National Trust Company Limited

Listing

The Toronto Stock Exchange
The Montreal Stock Exchange

To the Shareholders



S. B. McLaughlin

Financial Results

For the fiscal year ended December 31, 1982 the Corporation had a profit of $1,739,000 compared to a net loss of $1,313,000 for the prior year.

The Year 1982

Due to the recession and high interest rates 1982 was a difficult year for most Corporations. However, by virtue of property sales which were completed during the early part of the year, Mascan Corporation has been able to operate at a profit.

Throughout this period the Corporation has continued the process of reducing operating costs as management builds a solid financial base for the Corporation.

It is regrettable that due to the general recession and the slowdown in the Corporation's projects, it has been necessary to take all possible steps to conserve cash. This has resulted in the deferral of dividends on preferred shares and particularly in the delay of the retraction of the first preferred shares.

The Year 1983

Over the years, Mascan has assembled a large portfolio of valuable development property. It is the policy of the Corporation to monetize non-essential assets as quickly as possible while simultaneously developing and retaining a substantial portfolio of income producing properties.

At the present time Mascan Corporation is actively proceeding with a substantial financial restructuring designed to fix the interest rate on a large portion of corporate indebtedness, to match such debt with revenue generating assets, to redeem debentures as they fall due, to provide working capital for ongoing operations, and to redeem first preferred shares previously submitted for retraction.

In furtherance of these important policies, management is also directing its efforts to the sale of commercial properties located in Mississauga City Centre East, a major renovation of the Square One Shopping Centre that will modernize and add to the public appeal of this important regional shopping centre, and the registration of residential and commercial subdivisions in the City of Mississauga (Hurontario Residential Community), and the Town of Halton Hills.

Of paramount importance in this process is the recent considerable improvement in interest rates which is having a positive impact on consumer confidence and spending.

Beyond 1983

During 1983 the Corporation will complete its major debt restructuring and its related corporate objectives. Also additional sales will be achieved and new joint ventures established.

As these objectives are met and working capital adequate for all purposes is established, management will again be able to apply a fair portion of its effort to solid growth in the form of quality developments and the development of its income property portfolio in the Mississauga City Centre. The past few years have been difficult but the prospects for the future are excellent.

In Appreciation

On behalf of the Board of Directors I would like to thank the investors and shareholders for their patience and continuing support of the Corporation. I would also thank sincerely the officers and employees of the Corporation for their persistent and enthusiastic support.

Mississauga, Ontario
May 31, 1983

S. B. McLaughlin
Chairman of the Board,
President and Chief Executive Officer
Mascan Corporation

Consolidated Balance Sheet

December 31

Assets

	Note	1982	1981
		($000's)	($000's)
Rental properties	2		
Commercial and retail		$ 63,066	$ 64,007
Hotels		57,786	50,534
Deferred business development costs		4,365	—
Land			
Held for development		100,521	89,375
Under development		13,059	14,676
Accounts and mortgages receivable	3	24,821	27,996
Investments			
Non-consolidated subsidiary	4	6,342	6,265
50%-owned company	5	—	6,586
Short-term investments		905	1,000
Other assets	6	4,196	4,450
		$275,061	$264,889

Liabilities

	Note	1982	1981
Mortgages payable and other term loans	7	$178,588	$155,255
Funded debt	8	19,429	20,810
Bank indebtedness	9	3,839	13,132
Accounts payable and accrued charges		15,335	15,723
Income taxes		2,491	3,495
Costs to complete subdivision servicing		5,697	6,978
Deferred income		3,553	1,913
		228,932	217,306
Deferred income taxes		9,781	12,404
Contingencies	12,14		

Shareholders' Equity

	Note	1982	1981
Capital stock	10	25,613	25,613
Retained earnings		10,735	9,566
		36,348	35,179
		$275,061	$264,889

On behalf of the Board

S.B. McLaughlin, Director

Director

Consolidated Statement of Retained Earnings

for the year ended December 31

	1982	1981
	($000's)	($000's)
Retained earnings – beginning of year		
As previously reported	$ 8,448	$13,159
Prior year's adjustment of proceeds on expropriation of land (net of related tax effect of $473)	1,118	—
As restated	9,566	13,159
Net (loss) earnings	1,739	(1,313)
	11,305	11,846
Dividends paid		
First preferred shares	270	1,080
Second preferred shares	300	1,200
	570	2,280
Retained earnings – end of year	$ 10,735	$ 9,566

Auditors' Report

The Shareholders,
Mascan Corporation.

We have examined the consolidated balance sheet of Mascan Corporation as at December 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mississauga, Ontario
May 31, 1983.

Touche Ross & Co.

Chartered Accountants

Consolidated Statement of Earnings

for the year ended December 31

	Note	1982	1981
		($000's)	($000's)
Land development			
Sales		$13,153	$14,156
Cost of sales		5,009	11,532
		8,144	2,624
Rental properties			
Revenues		35,387	33,520
Operating costs		24,047	22,175
Interest		11,277	11,011
Depreciation		1,571	1,469
		36,895	34,655
		(1,508)	(1,135)
Interest and other income		2,503	3,865
		9,139	5,354
Other expenses			
Interest		5,524	4,530
General and administration costs		5,519	4,488
		11,043	9,018
Loss from operations		(1,904)	(3,664)
Recovery of income taxes	11	2,523	2,096
Net earnings (loss) from operations		619	(1,568)
Equity in:			
Earnings of 50%-owned company		—	1,256
Earnings (loss) from non-consolidated subsidiary	4	1,120	(1,001)
		1,120	255
Net earnings (loss)		$ 1,739	($1,313)
Loss per common share		($0.18)	($1.20)

Consolidated Statement of Changes in Financial Position

for the year ended December 31

		1982 ($000's)	1981 ($000's)
Source			
Sale of 50% interest in peat moss operations:			
Net assets disposed of	$6,586		
Deferred income	1,914		
		$ 8,500	$ —
Advances from non-consolidated subsidiary (net)		1,043	(7,266)
Decrease (increase) in assets			
Accounts and mortgages receivable		3,175	(5,495)
Short-term investments		95	600
Other		50	(1,663)
Increase in mortgages payable		23,333	36,272
		$36,196	$22,448
Use			
Funds used in operations*		$ 503	$ 3,340
Increase in investment in rental properties and land		21,776	23,967
Decrease (increase) in:			
Funded debt		1,381	8,113
Bank indebtedness		9,293	(9,177)
Accounts payable, income taxes and subdivision servicing costs		2,673	(6,075)
Dividends paid		570	2,280
		$36,196	$22,448

	1982	1981
***Funds used in operations**		
Net (loss) earnings	$ 1,739	($1,313)
Adjustments for non-fund items included in earnings:		
Deferred income taxes	(2,623)	(3,323)
Deferred income	(274)	(137)
Depreciation and amortization	1,775	1,688
Equity in earnings of 50%-owned company	—	(1,256)
(Earnings) loss from non-consolidated subsidiary	(1,120)	1,001
	($ 503)	($3,340)

Notes to Consolidated Financial Statements

December 31, 1982

1. Summary of significant accounting policies

a) General

These financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards. The accounting policies followed and financial statement disclosures are substantially in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies.

b) Consolidation

The financial statements include:

i) The accounts of the Corporation and all its subsidiary companies, except for a subsidiary company to be disposed of which is accounted for on the equity basis.

ii) The Corporation's proportionate share of assets, liabilities, revenue and expenses of incorporated and unincorporated joint ventures in real estate projects.

c) Rental properties

These are stated at the lower of cost, less accumulated depreciation, and estimated economic value. The cost of properties constructed by the Corporation includes interest, real estate taxes and administrative overhead applicable to the construction period, initial leasing costs and start-up costs (net of rental income) up to the point in time when substantial occupancy has been achieved. The Corporation ceases to capitalize costs relating to a property under construction when the book value of the property equals its estimated economic value. Depreciation is provided using the sinking fund method at 5% over a fifteen to forty year period.

The Corporation has decided, in consultation with its auditors, to capitalize as deferred business development costs pre-opening expenses and revenues and costs of its new hotel for only approximately five months after opening, being to September 30, 1982. Such capitalized costs will be amortized over a five year period commencing on January 1, 1985. The Corporation's joint venture partner in the hotel has elected to capitalize losses for one year.

d) Land held for development and land under development

These are stated at the lower of cost and net realizable value. Cost includes interest, real estate taxes and administrative costs (net of miscellaneous revenues from vacant land) which are capitalized, provided the carrying value does not thereby exceed net realizable value. In addition, land under development includes the total estimated cost of servicing for which the Corporation is contractually committed under letters of credit issued to municipal authorities.

e) Income recognition

i) Land sales
Sales, including sales of partial interests in land, are recorded when the Corporation has fulfilled all conditions required of it to consummate the sale.

ii) Rental operations
Revenue from commercial and retail properties is treated as operating income from the date when substantial occupancy has been achieved.

f) Amortization of financing costs

Financing costs are amortized on a straight-line basis over the term of the related financing (or earlier redemption).

g) **Earnings per common share**

i) Basic net earnings per common share are calculated on the average number of shares outstanding during the year, after providing for dividends on preferred shares.

ii) Fully diluted earnings per common share are calculated on the basis that all options and convertible privileges existing at the end of the year had been exercised at the beginning of the year (or when granted in the case of those granted during the year) and that funds made available were used to liquidate indebtedness.

2. Rental properties

	1982	1981
	($000's)	($000's)
a) Commercial and retail		
Buildings and equipment	$67,576	$67,712
Less accumulated depreciation	5,821	5,047
	61,755	62,665
Land	1,311	1,342
	$63,066	$64,007
b) Hotels		
Buildings and equipment	$53,479	$12,928
Less accumulated depreciation	2,694	1,880
	50,785	11,048
Land	7,001	5,389
	57,786	16,437
Under construction	—	34,097
	$57,786	$50,534

3. Accounts and mortgages receivable

	($000's)
Receivable under mortgage and land sales agreements, carrying an average interest rate of 10.14%	
1983	$ 6,300
1984	755
1985	401
1986	6,307
1987	199
1988 and thereafter	1,258
	15,220
Trade accounts receivable and accrued interest	6,107
Amounts receivable from a company controlled by a director, officer and controlling shareholder (refer note 17(a)(iii))	3,000
Amounts receivable from trustees pursuant to an employee share purchase plan and employee housing loans (including $355,000 in respect of certain directors and officers)	494
	$24,821

4. Investment in non-consolidated subsidiary

On March 25, 1981 a decision was made to pursue the disposal of the Corporation's investment in Grouse Mountain Resorts Ltd. (Grouse). As a result, the financial statements of this subsidiary have not been consolidated and the investment is reflected in these financial statements on the equity basis. In the Corporation's December 31, 1980 financial statements a provision was made reducing the Corporation's investment in Grouse (approximately 82% of the issued and outstanding shares) to nil.

On June 30, 1981 Grouse was placed in receivership. Subsequently, a decision was made by management to purchase Grouse's debt at a discount to enable the Corporation to optimize on its position in Grouse.

Notes to Consolidated Financial Statements (continued)

The financial position of Grouse and the Corporation's equity therein are as follows:

	1982	1981
	($000's)	($000's)
Assets		
Operating assets	$ 9,603	$10,343
Cash and accounts receivable	359	466
Other assets	725	733
	10,687	11,542
Unamortized discount on the purchase of debt by the Corporation	3,792	4,121
Equity in assets	6,895	7,421
Liabilities		
Accounts payable and accrued charges	553	1,156
Equity in net assets	$ 6,342	$ 6,265

The balance sheet of Grouse includes debt due to the Corporation in the face amount of $12,670,000 (1981 – $11,591,000), capital stock of $8,026,000 (1981 – $8,026,000) and a deficit of $10,562,000 (1981 – $9,356,000) which has been fully reflected in the Corporation's financial statements.

The results of Grouse's 1982 and 1981 operations and the Corporation's equity therein are as follows:

	1982	1981
	($000's)	($000's)
Revenues	$ 7,815	$ 4,612
Operating costs	5,990	4,958
Interest	2,036	1,913
Depreciation	1,033	1,016
	9,059	7,887
Net loss before the undernoted	1,244	3,275
Amortization of discount on purchased debt	329	361
Interest due to Mascan	2,035	1,913
	2,364	2,274
Net income (loss)	1,120	(1,001)
Less minority interest	—	—
Equity in net income (loss)	$ 1,120	($ 1,001)

Subsequent to 1982, the shareholders of Grouse approved the conversion of approximately $4,250,000 of Grouse's debt to the Corporation for approximately 28,333,333 common shares.

Upon completion this will result in the Corporation owning 33,411,377 (96.7%) of the 34,543,957 issued common shares of Grouse.

5. Investment in 50%-owned company.

On January 15, 1982 the Corporation sold its remaining 50% interest in this investment realizing an amount equal to its carrying value. As a result of this transaction all of the deferred income relating to a prepaid lease covering 1,500 acres of its land in Delta, B.C., is now attributable to the Corporation.

6. Other assets

	1982	1981
	($000's)	($000's)
Hotel inventories (at the lower of cost and net realizable value)	$ 1,466	$ 663
Unamortized financing costs	611	791
Furniture, fixtures and equipment	410	326
Sundry investments	126	320
Prepaid expenses	176	313
Square One development costs	1,147	1,091
Residential properties for sale	81	497
Other	179	449
	$ 4,196	$ 4,450

7. Mortgages payable and other term loans

These are secured on specific assets and bear an average interest rate of 13.01%. Repayment periods and related asset security classification are as follows:

	Income properties	Land under development	Land held for development	Receivables and other	Total
	($000's)	($000's)	($000's)	($000's)	($000's)
1983	$ 30,844	$ 8,214	$ 17,385	$ 4,268	$ 60,711
1984	11,694	667	1,308	1,463	15,132
1985	20,907	—	5,082	—	25,989
1986	24,172	—	—	—	24,172
1987	10,072	—	—	—	10,072
1988 and thereafter	42,401	—	111	—	42,512
	$140,090	$ 8,881	$ 23,886	$ 5,731	$178,588

8. Funded debt

		Issued and outstanding
		($000's)
8% Subordinated Debentures	(a)	$ 2,588
9½% First Mortgage Sinking Fund Bonds	(b)	689
11½% Secured Debentures	(c)	3,001
11¾% Secured Debentures	(d)	2,831
11¾% Secured Debentures	(e)	10,320
		$19,429

The maximum amounts required to meet sinking fund, purchase fund and redemption requirements over the next five years are as follows:

	($000's)
1983	$10,085
1984	3,109
1985	3,068
1986	483
1987	483
	$17,228

a) 8% Subordinated Debentures (Authorized $3,885,500) due January 15, 1989. Redeemable at the Corporation's option at a premium of 1.8% on or before January 14, 1983 decreasing to par in 1988. Subject to annual sinking fund payments of $380,000.

b) 9½% First Mortgage Sinking Fund Bonds (Authorized $6,000,000) due April 1, 1990 secured by a first fixed and specific mortgage on certain lands and a first floating charge on the undertaking and other assets of the Corporation. Redeemable at the option of the Corporation at a premium of 2.4% to April 1, 1983 decreasing to par in 1989. Subject to annual sinking fund payments of $54,000.

c) 11½% Secured Debentures (Authorized $8,000,000) due April 15, 1984 secured by a fixed and specific charge on certain assets and a floating charge on the undertaking and other assets of the Corporation ranking pari passu with the floating charge securing the 9½% Bonds. Redeemable at the option of the Corporation at a premium of 1.7% to April 15, 1983 decreasing to par in 1984. Subject to annual sinking fund payments of $501,000.

d) 11¾% Secured Debentures (Authorized $10,000,000) due December 15, 1985 secured by a fixed and specific mortgage on certain lands and a floating charge on the undertaking and other assets of the Corporation ranking pari passu with the floating charge securing the 9½% Bonds. Redeemable at the

Notes to Consolidated Financial Statements (continued)

option of the Corporation at a premium of 1.35% to December 14, 1983 decreasing to par thereafter. Subject to a commitment by the Corporation to acquire for redemption on the market, or by tender, at prices not exceeding 99.5% an annual amount of $123,000.

e) 11¾% Secured Debentures (Authorized $12,000,000) due May 15, 1988 secured by a fixed and specific mortgage on certain lands and a floating charge on the undertaking and other assets of the Corporation ranking pari passu with the floating charge securing the 9½% Bonds. Redeemable on June 15, 1983 (on election by holders after June 15, 1982 and before December 15, 1982) and thereafter at the option of the Corporation at a premium of 5% to May 14, 1984 decreasing to par at May 15, 1988. Subject to a commitment by the Corporation to acquire for redemption in the market or by tender at prices not exceeding 99.5% an annual amount of $480,000 par value up to May 15, 1983 and annually thereafter 4% of the principal amount outstanding at June 15, 1983.

Of the $10,320,000 debentures outstanding at December 31, 1982, $8,862,000 will be required to be retired June 15, 1983 on election by holders. Also at June 15, 1983 the interest rate on the remaining bonds outstanding was increased to the greater of 12% or 2% above Bank of Montreal prime rate.

9. Bank indebtedness

Bank indebtedness of the Corporation and certain of its subsidiary companies is secured by various fixed and floating charges and by assignments of accounts and mortgages receivable.

10. Capital stock

			1982 ($000's)	1981 ($000's)
Authorized:	1,000,000	First preferred shares		
	643,709	Second preferred shares		
	5,000,000	Common shares		
Issued:	480,000	9% cumulative redeemable first preferred shares, Series A, $25 par value	$12,000	$12,000
	600,721	10% cumulative redeemable second preferred shares $20 par value (1981 – 600,716 shares)	12,014	12,014
	3,003,908	Common shares, no par value (1981 – 3,003,887 shares)	1,599	1,599
			$25,613	$25,613

a) Terms of the Series A first preferred shares provide that they were redeemable at par at the holders' option on November 1, 1982. Shareholders wishing to tender their shares for redemption were required to do so on or before the last day of April 1982. The number of shares tendered for redemption at November 1, 1982 was 459,475 shares with a par value of $11,486,875. As reported by the Corporation on October 27, 1982 it was determined that the Corporation was not in a position in accordance with applicable law to redeem the tendered shares on November 1, 1982. The Corporation is negotiating financing transactions which when completed would enable the Corporation to purchase the tendered shares. The remaining outstanding shares are redeemable at the Corporation's option at $27.25 per share to November 1, 1983 decreasing annually to par at November 1, 1987. The Corporation is committed to purchase for cancellation commencing November 1, 1982 shares in the open market on a quarterly basis at an annual rate of 5% of shares outstanding at November 1, 1982 at a price not exceeding $25 per share. The Corporation has not commenced purchasing its required 5% of the non-tendered shares for the period November 1, 1982 to November 1, 1983 but will do so when it has completed the purchase of the shares tendered for redemption at November 1, 1982.

b) The second preferred shares are redeemable at the holders' option on May 1, 1990 at par, and may be redeemed at the Corporation's option at any time at $20.40 per share. The Corporation is committed to purchase for cancellation, commencing May 1, 1984 shares in the open market on a six-monthly basis, at an annual rate of 4% of shares outstanding at May 1, 1984 at a price not exceeding $20 per share.

c) During 1982, 5 second preferred shares and 21 common shares were issued on the exercise of warrants. Warrants issued in conjunction with first preferred shares, Series A, expired November 1, 1982.

d) At December 31, 1982, 400 unissued second preferred shares and 2000 unissued common shares were reserved for stock options to employees. These options may be exercised at $7.60 for one common and 1/5th of a second preferred share and expire in 1983.

e) Dividend restrictions
The rights attaching to the first preferred shares, Series A, provide that no dividends may be paid on the second preferred or common shares unless all first preferred dividends have been paid and unless, after payment thereof, shareholders' equity is equal to the greater of 2½ times the paid-in capital of the first preferred shares or $10,000,000. Other less restrictive provisions are imposed by the trust deeds securing the funded debt.

f) Dividends
The Corporation has not paid quarterly dividends on its first preferred shares or its second preferred shares since February 1, 1982. At December 31, 1982 cumulative dividends in arrears on the first and second preferred shares amounted to $810,000 (1981 – nil) and $901,000 (1981 – nil) respectively.

11. Recovery of income taxes

The Corporation's recovery of income taxes has been determined as follows:

	($000's)
Loss from operations	($1,904)
Recovery of income taxes based on combined basic Canadian federal and provincial income tax rate of 52%	$ 990
Increase (decrease) in recovery of income taxes resulting from:	
Capital gains of $6,383,000	1,660
Non-deductible expenses of $332,000	(173)
Other	46
	$2,523

12. Financing requirements

Significant cash resources are required by the Corporation to meet financial obligations during 1983. In addition to the on-going commitments relative to bank indebtedness, income taxes and subdivision costs as outlined elsewhere in these financial statements, requirements to be satisfied in 1983 are as follows:

	($000's)
i) Funded debt maturing on June 15, 1983	$ 8,862
ii) Other funded debt maturing in 1983	1,223
iii) Mortgages payable and other term loans	60,711
	$70,796

The Corporation is pursuing a program of consolidating its financial position and reducing floating rate debt. In order to meet this objective, the Corporation is negotiating a major refinancing of its Mississauga City Centre properties. The successful outcome of this negotiation would enable the Corporation to pay down $47,688,000 of the above amount relating to items i) and iii) and in addition, would enable the Corporation to pay down additional mortgages payable, totalling $28,831,000 maturing after 1983.

The Corporation expects to renew or refinance, based on the security of specific properties, an additional $14,930,000 in respect of item iii). Of this amount approximately $4,000,000 has been renewed in 1983. A further $4,300,000 of item iii) consists of operating lines drawn in connection with the servicing of the Corporation's development properties and it is planned that these obligations will be met through future sales of these properties. The further amount of $3,878,000 including the retirement of other funded and term debt obligations is planned to be discharged by the Corporation out of operating cash flows.

In addition, the Corporation plans to repurchase its first preferred shares tendered for redemption on November 1, 1982 plus purchase fund requirements in the amount of $11,513,000 and to pay preferred dividend arrears to May 1, 1983, totalling $2,850,000. These amounts will be discharged after the refinancing of the Mississauga City Centre properties, by means of the reorganization of present bank loans now under active negotiation.

Pending completion of the refinancing of the Mississauga City Centre properties, an interim financing has been applied for to meet the Corporation's funded debt obligation, maturing on June 15, 1983.

Management is actively negotiating financing plans as described above and these financial statements are prepared on the basis that the Corporation fully expects to meet its obligations and develop and realize its assets in the normal course of business. If, for any reason, the Corporation is required to dispose of certain of its assets in other than the normal business process, amounts realized to satisfy maturing obligations could in some cases be less than carrying values. Management considers that such disposal is highly unlikely.

Notes to Consolidated Financial Statements (continued)

13. Joint ventures in real estate projects

a) The Corporation's share of assets and liabilities of these joint ventures, included on a line by line basis in the financial statements is:

	1982 ($000's)	1981 ($000's)
Rental property		
Hotel	$ 41,793	$ 34,097
Deferred business development costs	4,365	—
Land held for development	33,982	32,374
Land under development	12,883	13,981
Accounts and mortgages receivable	3,678	4,167
Other assets	1,135	523
	97,836	85,142
Liabilities	33,816	25,286
Equity	$ 64,020	$ 59,856

b) The Corporation's share of gross operating revenue of these joint ventures included in the financial statements is $7,363,000 (1981 – $7,930,000). Earnings from operations are $209,000 (1981 – $2,980,000).

14. Contingent liabilities

a) The Corporation is contingently liable for its associates' share of obligations in unincorporated joint ventures amounting to approximately $33,816,000 at December 13, 1982 (1981 – $24,175,000). In each case, the associates' share of the assets is available and is adequate to meet such obligations.

b) Legal proceedings were commenced in 1979 against the Corporation arising from alleged construction deficiencies in the amount of $2,000,000. This action is being defended on behalf of the Corporation. Management is of the opinion that the Corporation has justifiable defence to this claim and that the liability, if any, which could possibly result therefrom would not be material to these consolidated financial statements.

c) The Corporation has issued a writ against an architectural firm for damages sustained as a result of faulty design of a proposed building. The defendant has issued a counter-claim for design services rendered in the amount of $926,000.

15. Subsequent event

In 1983 the Corporation purchased a property in Texas, U.S.A. for $15,836,000. Consideration for this purchase consisted of $4,075,000 cash, assumption of debt amounting to $10,261,000 and the $1,500,000 reduction of a loan receivable (refer note 17(a)(ii)).

16. Segmented information

The primary business of the Corporation comprises the investment in rental properties and the development and sale of land. The operating results of and amounts invested in these segments of the Corporation's business are reflected in the financial statements.

17. Related party transactions

a) The Corporation has entered into the following related party transactions involving a company (the Company) controlled by a person who is a director, officer and controlling shareholder of the Corporation:

i) Pursuant to a "Letter of Agreement" between the Corporation and the Company payments have been made totalling $885,000 including $307,700 in respect of an annual fee and the balance in respect of fees for various consulting services performed by the Company and its four employees.

ii) Subsequent to the year-end, the Corporation purchased from the Company a property in Texas, U.S.A. at its cost of $15,836,000. As partial payment for this purchase, an outstanding loan owed by the Company was reduced by $1,500,000.

iii) In 1980 secured, interest-bearing loans totalling $2,500,000 were made by the Corporation to the Company. The balance outstanding at December 31, 1982 after forgiving $722,000 of interest owing on these loans was $3,000,000. As a result of the Texas transaction referred to in note 17(a)(ii) this amount was subsequently reduced to $1,500,000. This new loan bears interest at 12%, is unsecured and matures on April 13, 1984.

iv) During 1982 the Company loaned the Corporation $200,000. This loan is unsecured, bears interest at 15% and has no fixed maturity date.

v) In 1982 the Corporation was appointed to manage the development of a property contiguous to lands now being developed by its joint venture, Traders Associates. The Corporation made an interest-free third mortgage loan of $2,775,000 and also agreed to make further advances to finance the development and to service the existing first and second mortgages on the property. In exchange, the Corporation will receive 50% of the development profits. The owner of the property is an unrelated company which had purchased the property from the Company in 1981.

The second mortgage on the property is guaranteed by the Company and by a person who is a director, officer and controlling shareholder of the Corporation. As a result of this transaction $900,000 was paid to the Company to partially discharge an existing third mortgage on the property. In order to fully discharge the security of the third mortgage, an agreement was reached whereby the Company received an unsecured interest-free note and in lieu of interest will share in future profits from the development to the extent of 25%.

b) The Corporation decreased an existing loan from a company controlled by a director of the Corporation by $320,000 to $1,500,000. The loan is secured by a mortgage on certain of the Corporation's lands. Interest payments on this loan in 1982 were $306,000.

c) In 1982 the Corporation sold a property for $200,000 to a company controlled by two persons who are directors and officers of the Corporation for $30,000 cash and a 12% mortgage of $170,000 due October 15, 1987.

18. Other information

a) Interest costs have been allocated as follows:

	1982	1981
	($000's)	($000's)
Properties under construction	$ 714	$ 3,835
Deferred business development costs	1,091	—
Land	7,718	8,274
Interest expense		
Rental properties	11,277	11,011
General	5,524	4,530
Total interest costs	$ 26,324	$ 27,650

b) During the year $1,218,000 (1981 – $901,000) has been allocated to land and construction in progress in respect of real estate taxes and administrative costs.

c) Included in the amounts charged to interest and administrative and general expenses are the following amounts which relate to properties against which capitalization of such costs is no longer appropriate under the accounting policies outlined in Note 1(c) and 1(d).

	1982	1981
	($000's)	($000's)
Interest	$ 3,680	$ 2,346
General and administration	384	440
	$ 4,064	$ 2,786

d) Remuneration paid during the year to senior officers of the Corporation amounted to $425,000 (1981 – $468,000) and to directors of the Corporation $43,000 (1981 – $32,000).

e) Certain of the 1981 comparative figures have been reclassified to conform with the 1982 presentation.

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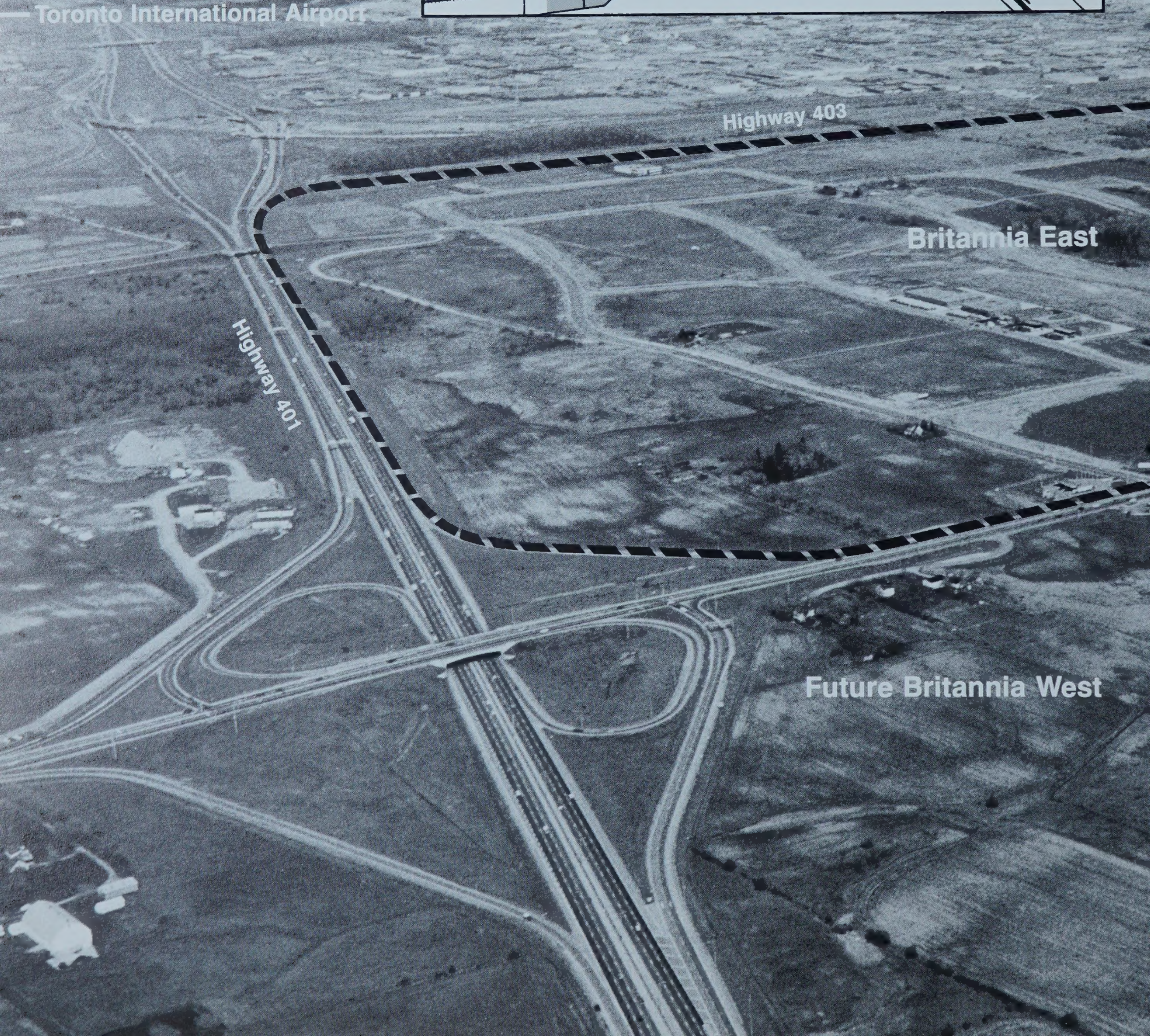

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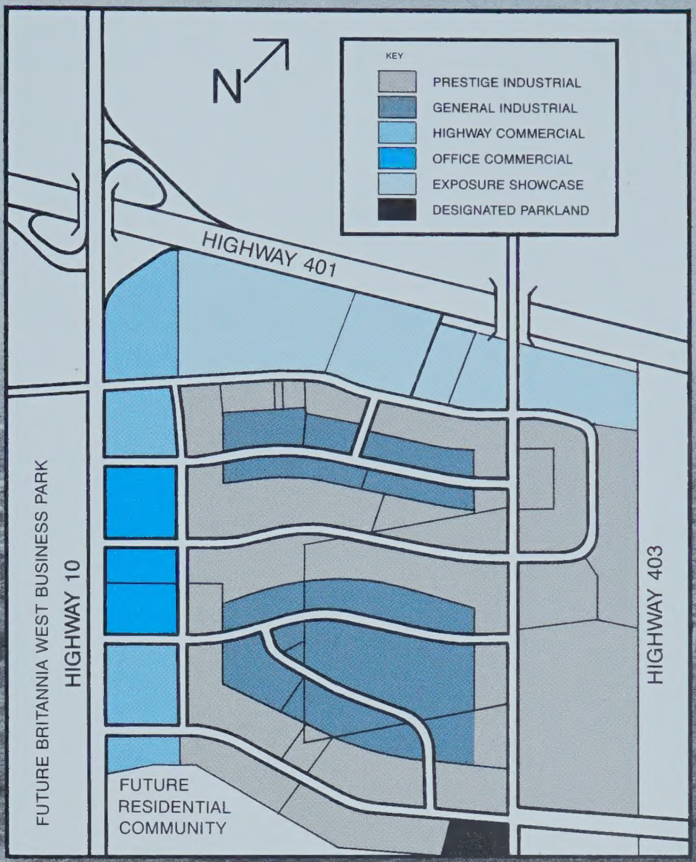

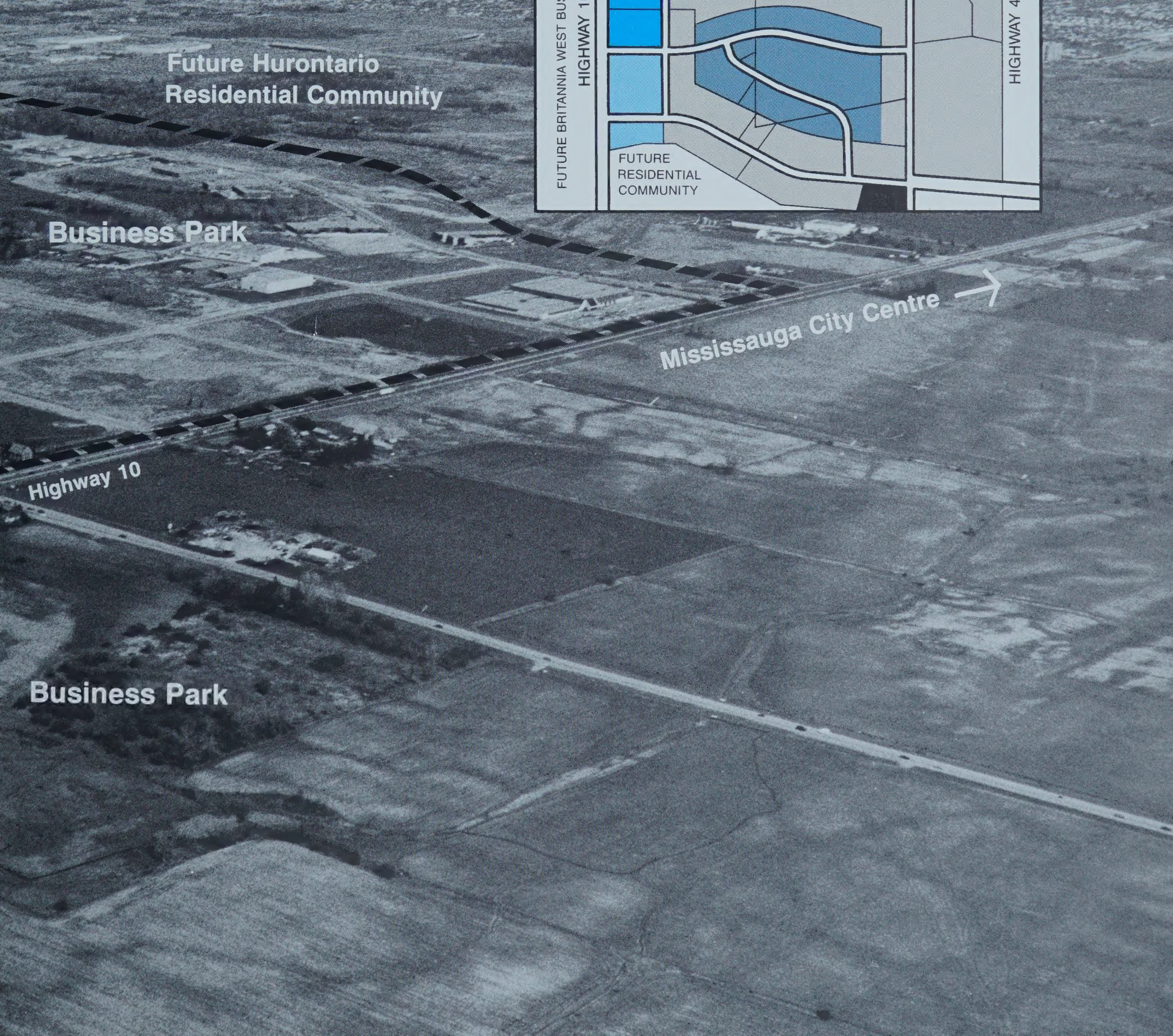

MASCAN
CORPORATION

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